

**CITY OF LODI  
INFORMAL INFORMATIONAL MEETING  
"SHIRTSLEEVE" SESSION  
CARNEGIE FORUM, 305 WEST PINE STREET  
TUESDAY, JANUARY 23, 2007**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, January 23, 2007, commencing at 7:02 a.m.

**A. ROLL CALL**

Present: Council Members – Hansen, Hitchcock, Katzakian, Mounce, and Mayor Johnson

Absent: Council Members – None

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

**B. TOPIC(S)**

**B-1 "Options for Senior and Low Income Water and Wastewater Rate Discounts"**

City Manager King briefly introduced the subject matter of senior and low income water and wastewater rate discount options.

Deputy City Manager Krueger provided a PowerPoint presentation (filed) regarding water and wastewater rate discount options. General topics of discussion included Measure J, availability of discount programs, history of discounts, customer analysis, options for continuance and discontinuance, costs, regulatory matters, option for installing water meters, potential rate reductions, and rate effects. Mr. Krueger also reviewed specifics regarding the decision making process.

In response to Council Member Hansen, Mr. Krueger stated 21,250 customers do not participate in any type of discount, 2,200 participate in some type of discount program, 10% of the 2,200 participate in the 10% percent discount program, and the balance of the 2,200 participate in the 20% discount program. Discussion ensued between Council Member Hansen, City Manager King, and Deputy City Manager Krueger regarding the possibility of additional eligible individuals who are currently not participating in the discount program.

In response to Mayor Pro Tempore Mounce, Public Works Director Prima stated previous suggestions for who will pay for water meter installation if lines are not retrofitted included line payment by property owners, who may not necessarily be the actual customer, and meter payment by the City. City Manager King stated the City Council has not set forth a policy regarding retrofitting. Mr. King stated there are various options including, but not limited to, action in conjunction with the water rates policy, an acceleration program for water meter installation and retrofitting, and general fund usage because water meter installation is not an expense continuing in perpetuity.

Discussion ensued between Mayor Johnson, Council Member Hansen, Council Member Hitchcock, and City Manager King regarding the policy decision associated with water and wastewater reductions, Measure J application, the amount of the discount, and water meter installation considerations.

In response to Council Member Hansen, Deputy City Manager Krueger stated a comprised position may be a reduction of the 20% discount to 10% with requirements staying the same. Mr. Krueger stated the impact on the general fund would be approximately \$127,000, and customers receiving the discount will get an increase of approximately five dollars on their utility bill.

In response to Council Member Hitchcock, City Attorney Schwabauer stated Proposition 218, created in 2004, was not retroactive. Mr. Schwabauer stated a similar but different program existed prior to Proposition 218 passage. He stated reverting to the previous program is not the prevailing view. Council Member Hitchcock requested additional research regarding the same.

In response to Council Member Hansen, Deputy City Manager Krueger affirmed that the administrative cost of providing a refund going back to November exceeds the actual amount of the refund.

In response to Mayor Pro Tempore Mounce, Deputy City Manager Krueger stated the discount is not for seniors alone, but anyone who meets the income requirements.

In response to Mayor Johnson, City Attorney Schwabauer stated the ethical consideration is whether the City should continue offering a program in the face of public opposition. He stated it is legal to fund the program through general fund because the funding is not subject to Proposition 218. Mr. Schwabauer stated the only limitation is the money must be spent for a public use and charitable uses are considered public uses.

In response to Council Member Hansen, Public Works Director Prima stated other cities in the County offering a similar discount program include Escalon, Lathrop, Ripon, and Tracy. He stated many other cities had electric discount programs and reiterated rates were not raised to initially do the program.

In response to Mayor Johnson, City Manager King stated the matter will be coming back to Council on February 7, 2007, as a part of the mid-year budget adjustments.

**C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS**

None

**D. ADJOURNMENT**

No action was taken by the City Council. The meeting was adjourned at 7:52 a.m.

ATTEST:

Randi Johl  
City Clerk



## CITY OF LODI COUNCIL COMMUNICATION

M

**AGENDA TITLE:** Receive presentation on options for Senior and Low Income Water and Wastewater rate discounts

**MEETING DATE:** January 23, 2007

**PREPARED BY:** Deputy City Manager

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**RECOMMENDED ACTION:** Receive presentation on options for Senior and Low Income Water and Wastewater rate discounts

**BACKGROUND INFORMATION:** There are two discount programs for which Water and Wastewater customers qualify. Approximately 2,200 customers have qualified for these programs. The senior program (10% discount) is for customers who are 62 years of age and who have an annual income of less than \$45,000. The share program (20% discount) is for all low income customers regardless of age. The income requirement for the Senior Program is higher than the Share program. Customers receive one of the discounts depending on whether they meet the income and age requirements. The cost of the two programs is estimated to be approximately \$255,000. The 10% discount has been received by water and wastewater customers since April, 1989. On October 15, 2004, the 20% SHARE discount was implemented.

As a result of direction received from the City Attorney's office, the City Council placed Measure J on the November 7, 2006 ballot. The measure was approved by **58%** of the votes but failed to pass due to a lack of receiving a 2/3rds majority. Measure J asked whether the water and wastewater discount rates should be continued on a permanent basis.

The discount program as it has been constituted must be changed in order to implement the results of the voting on Measure J. The following options are offered as possible ways to resolve this issue:

**Options to consider**

- Discontinue low income discounts. This would amount to increasing bills by up to \$10.00 per month for those currently receiving the discount (about 10% of all customers).
- Continue the discounts at the same rate and fund this cost through the General Fund. This would amount to a reduction in the in-lieu of transfer amount to the General Fund, which represents about 1/2 of 1% (about \$255,000) of the revenues for the General Fund. This would result in a reduction in other General Fund programs to make up for the **loss** of revenues from the transfers.
- Reduce the level of discount and fund the reduced discount program through the General Fund. This would amount to a reduction in the in-lieu of transfer amount to the General Fund, which represents about 1/4 of 1% (about \$127,500) of the revenues for the General Fund. This would result in a reduction in other General Fund programs to make up for the **loss** of revenues from the transfers.

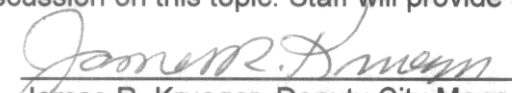
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APPROVED: \_\_\_\_\_

Blair King, City Manager

- Discontinue the low income discounts and provide water meters to low income customers on a priority basis. As part of the water meter installation strategy, priority would be given to low-income customers to have water meters installed as soon as possible. The cost is estimated to range from \$500,000 to \$2,000,000 depending on the degree of difficulty in installation. In other communities where water meters have been installed, water conservation has resulted. The reduced water usage should in theory reduce the bills for those customers that use less water than they did before their water meter was installed.
- Should water and sewer rates be reduced? The current cost per customer is approximately \$1.00 per month. There are many needs that could be funded from the \$255,000 that would be lost if rates were reduced. Infrastructure replacement and water meters are two programs that are in need of immediate attention.
- Should funds collected be refunded? The administrative costs associated with making the refunds may offset the amount that would be refunded.

These options are provided to aid in the discussion on this topic. Staff will provide a power point presentation of Tuesday morning.

  
James R. Krueger, Deputy City Manager

**Attachments: Measure J**

A RESOLUTION OF THE LODI CITY COUNCIL  
ESTABLISHING LOW-INCOME DISCOUNTS FOR WATER  
AND SEWER SERVICES

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WHEREAS, with the implementation of new water, sewer, and refuse rates and charges adopted April 27, 2004, the Lodi City Council adopted Ordinance No. 1750 amending Lodi Municipal Code Chapter 13.04, §13.04.130, "Low Income Adjustments," at its September 15, 2004, City Council meeting; and

WHEREAS, the City Council now desires to adopt a resolution establishing Water and Sewer Services discounts for eligible low-income residents, and further desires to place the Measure on the November 2006 ballot for citizen approval.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED that the Lodi City Council does hereby approve and establish low-income discounts for water and sewer services as shown below, which shall become effective the first billing period following the effective date of this Resolution:

For Residential Customers who qualify for the Electric SHARE Program discount:

Water - 20% Discount on the Residential Flat Rate

Wastewater - 20% Discount on the Residential Flat Rate for Disposal to the Domestic System

**OR,**

For Residential Customers who qualify for the Electric Senior/Fixed-Income discount:

Water - 10% Discount on the Residential Flat Rate

Wastewater - 10% Discount on the Residential Flat Rate for Disposal to the Domestic System


**BE IT FURTHER RESOLVED** that the water and wastewater discounts shall be funded by the ratepayers, collected with utility bills; and

**BE IT FURTHER RESOLVED** that the programs will be limited to two percent (2%) of the revenue of each utility. At current revenue levels this equals \$164,630 per year in wastewater and \$164,234 in the water utility; and

**BE IT FURTHER RESOLVED** that the City Council does hereby direct staff to institute a verification program whereby every three years 10% of 1/3 of the applicants' eligibility is re-confirmed: and

**BE IT FURTHER RESOLVED** that this Measure shall be placed on the November 7, 2006 Ballot for citizen approval.

Dated: July 5, 2006



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# Options for Senior and Low Income Water and Wastewater Rate discounts

Presented January 23.2007

# Options for Senior and Low Income Water and Wastewater rate discounts

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Text of Measure J

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# Options for Senior and Low Income Water and Wastewater rate discounts

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Text of Measure J (cont.)

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# Options for Senior and Low Income Water and Wastewater rate discounts

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# Options for Senior and Low Income Water and Wastewater rate discounts

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Two discount programs available:

- Seniors Fixed Income – 10% Rate Discount
  - Income < \$45,000/year
  - Age > 62
- Single Household Alternative Rate for Energy (SHARE) – 20% Rate Discount

Number of Persons in Household	Maximum Annual Household Income
1 - 2	\$22,000
3	\$25,900
4	\$31,100

# Options for Senior and Low Income Water and Wastewater rate discounts

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- Seniors Fixed Income available since April, 1989
- SHARE discount implemented October 15, 2004
- Measure J placed on ballot November 7, 2006
  - Approved by 58.25% of voters, but did not receive 2/3rds majority

# Options for Senior and Low Income Water and Wastewater rate discounts

	Percentage of Customers	Number of Customers
Customers that do not receive discount	190.6%	21,250
Fixed-Income or SHARE Discount Recipients	9.4%	12,200
Total	100%	23,450

# Options for Senior and Low Income Water and Wastewater rate discounts

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## OPTIONS

1. Discontinue water and wastewater low income discounts
  - ❑ \$255K Positive effect for Water and Wastewater
  - ❑ Increase low-income bills by ~\$10 per month

# Options for Senior and Low Income Water and Wastewater rate discounts

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## OPTIONS

2. Continue discounts by funding the cost through the General Fund
  - ☐ Adjust General Fund programs
  - ☐ Keeps discount program intact

# Options for Senior and Low Income Water and Wastewater rate discounts

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Reduce in-lieu transfers to General Fund from:

- a) Water Fund - \$144,800
- b) Wastewater Fund - 110,200

Total approx. \$255,000

Reductions in General Fund programs needed

# Options for Senior and Low Income Water and Wastewater rate discounts

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## OPTIONS

3. Continue discounts at a reduced level and fund the reduced discount program through the General Fund
  - ☐ This is a compromise
  - ☐ Would still require reductions in General Fund programs



# Options for Senior and Low Income Water and Wastewater rate discounts

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## OPTIONS

### 4. Install water meters for discount customers on a priority basis

(Discontinue discount program upon installation of these meters)

- ☐ May result in lower bills after meters installed
- ☐ No effect on General Fund

# Options for Senior and Low Income Water and Wastewater rate discounts

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5. Should water and wastewater rates be reduced?

- ☐ Other programs can be funded i.e.  
Infrastructure replacement, water meter  
installation, reinvest in reserves, regulatory  
issues, PCE/TCE mitigation

6. Should rebates be given on rate reduction?

- ☐ Cost of administration exceeds benefit

# Options for Senior and Low Income Water and Wastewater rate discounts

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## Rate Effect

### Water Fund

$$\frac{\$144,800}{21,250} \text{ discount amount} = \$0.57 \text{ per month} \\ \text{residential customers}$$

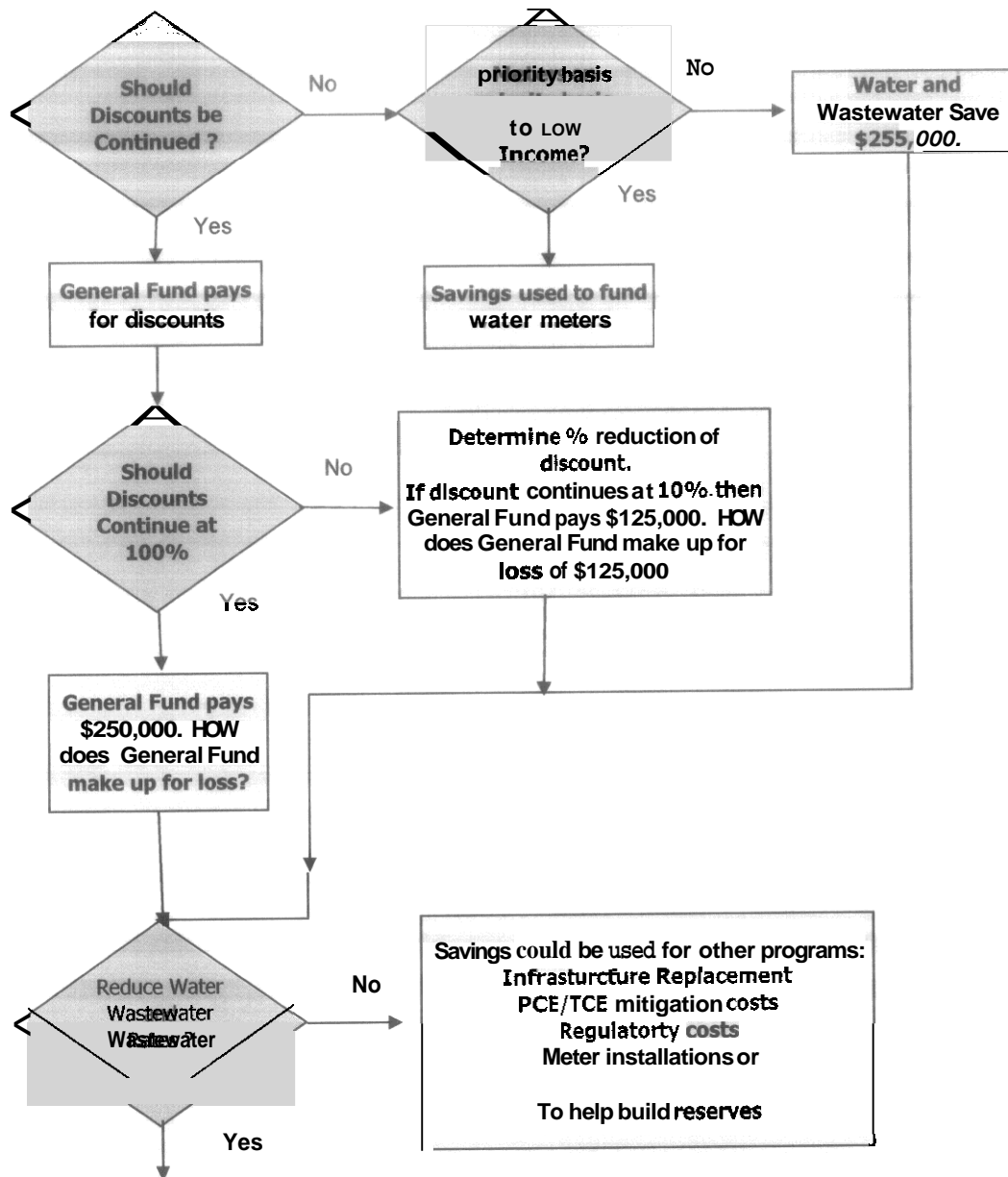
### Wastewater Fund

$$\frac{\$110,200}{21,250} \text{ discount amount} = \$0.43 \text{ per month} \\ \text{residential customers}$$

$$\text{Total} = \$1.00 \text{ per month}$$

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- 
- Decision Tree
  - Questions and Answers

# Water and Wastewater Discount Options



(to page 2)

